

**DEPARTMENT OF SOCIAL AND HEALTH SERVICES
MEDICAL ASSISTANCE ADMINISTRATION
Olympia, Washington**

To: All Prescribers
Pharmacists
Managed Care Plans
Regional Administrators
CSO Administrators

Memorandum No. 02-57 MAA
Issued: June 14, 2002

For Information Call:
1-800-562-6188

From: J. Douglas Porter, Assistant Secretary
Medical Assistance Administration

Subject: **Increase in Maximum Allowable Drug Dispensing Fees and
Mandatory Reporting of Prescriber DEA Number for Schedule II Drugs**

Effective for dates of service on and after July 1, 2002, the Medical Assistance Administration (MAA) will:


- Implement a one-and-one-half percent (1.5%) vendor rate increase for drug dispensing fees, as authorized by the 2002 Supplemental Appropriations Act; and
- Require pharmacies to enter the prescribing provider's Drug Enforcement Agency (DEA) number in the Prescriber ID field on all prescription drug claims for schedule II drugs. **The DEA number is required for claim payment. Failure to enter the DEA number will result in claim denial.**

The new maximum allowable drug dispensing fees are:

Effective 7/1/02

High volume pharmacies (over 35,000 Rx/yr)	\$4.20/Rx
Mid-volume pharmacies (15,001-35,000 Rx/yr)	4.51/Rx
Low volume pharmacies (15,000 Rx/yr and under)	5.20/Rx
Unit dose systems	5.20/Rx

Bill MAA your usual and customary charge for the product you dispense. Reimbursement will be the lower of the billed charge or the maximum allowable fee.

 **Note:** **There are no changes to MAA's reimbursement for drug ingredient costs at this time.** The current discount of eleven percent (11.0%) from Average Wholesale Price (AWP) for both Estimated Acquisition Cost (EAC) and Automated Maximum Allowable Cost (AMAC) remains in place until further notice.

To obtain this fee schedule electronically, go to MAA's website at <http://maa.dshs.wa.gov> (click on Provider Publications/Fee Schedules). Attached are replacement pages J1/J2 for MAA's Prescription Drug Program Billing Instructions, dated December 1998.

Reimbursement

General Information

MAA bases prescription drug reimbursement on (1) the standard 11-digit National Drug Code (NDC) (5-4-2 format), and (2) the quantity filled.

MAA's total reimbursement for a prescription drug must not exceed the lowest of:

- (a) Estimated acquisition cost (EAC) plus a dispensing fee;
- (b) Maximum allowable cost (MAC) plus a dispensing fee;
- (c) Federal Upper Limit (FUL) plus a dispensing fee;
- (d) Actual acquisition cost (AAC) plus a dispensing fee for drugs purchased under section 340 B of the Public Health Services (PHS) Act and dispensed to medical assistance clients; or
- (e) The provider's usual and customary charge to the non-Medicaid population.

[WAC 388-530-1300]

Bill MAA your usual and customary charge (the charge you bill the general public). **Note:** This means that if the usual and customary prescription charge to the general public is either: 1) discounted; 2) reduced (due to coupon offered); or 3) offered free, then the prescriptions billed to Medicaid must reflect the same discount or free charge. Reimbursement will be the lower of the billed charge or the maximum allowable fee.

Pharmacy promotional incentives, not related to reducing the usual and customary fee, must be offered to DSHS clients without discrimination. (Example: A \$5.00 off coupon for purchases elsewhere in the store.)

Payment

Bill MAA only **after** you provide a service to an eligible client. Delivery of a service or product does not guarantee payment. For example, MAA does not make payment when:

- The request for payment is not presented within the 365 day billing limit.
- The service or product is not medically necessary or is not covered by MAA;
- The client has third party coverage and the third party pays as much as, or more than, MAA allows for the service or product; **or**
- The service or product is covered in the managed care capitation rate.

Tax

Tax is computed on items determined to be taxable according to the Washington State Department of Revenue.

Estimated Acquisition Cost (EAC)

First DataBank derives the Average Wholesale Price (AWP) of each product based on information they receive directly from each manufacturer or labeler. MAA determines the appropriate percentage of the AWP that represents the Estimated Acquisition Cost (EAC). Most drugs are reimbursed at the EAC plus a dispensing fee.

Currently applied EAC percentages are 89% of AWP for most drugs, including Schedule II drugs, and 100% of AWP for infusion/injectable drugs with certified AWP.

Dispensing Fees

MAA uses a three-tier dispensing fee structure with an adjusted fee allowed for pharmacies that participate in the Modified Unit Dose and/or True Unit Dose programs. *See Section E. for Unit Dose billing instructions.*

Listed below are the MAA dispensing fee allowances (**effective 7/1/02**) for pharmacies:

High-volume pharmacies (over 35,000 Rxs/yr).....	\$4.20/Rx
Mid-volume pharmacies (15,001-35,000 Rxs/yr).....	\$4.51/Rx
Low volume pharmacies (15,000 Rxs/yr and under).....	\$5.20/Rx
Unit Dose Systems.....	\$5.20/Rx

A provider's dispensing fee is determined by the volume of prescriptions the pharmacy fills for MAA clients **and** the general public, as indicated on the annual prescription count survey distributed to pharmacies by MAA.

REMEMBER to include both MAA clients **and** the general public in your total prescription count.

NOTE: Sale or transfer of business ownership will invalidate your Core Provider Agreement. The new owner must call the Provider Enrollment Unit (see Important Contacts) to acquire a Core Provider Agreement

Provider Enrollment Unit
Division of Program Support
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